



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 27, 1999

S. 86 **Ticket to Work and Self-Sufficiency Act of 1999**

As introduced on January 19, 1999

SUMMARY

S. 86, the Ticket to Work and Self-Sufficiency Act of 1999, would revamp the system under which recipients of Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) receive vocational rehabilitation services. It would also extend Medicare for some DI recipients who return to work and require various demonstration projects to test alternative treatments of earnings in the DI program. Finally, it would stiffen the restrictions on payment of Social Security benefits to prisoners and offer another opportunity for certain members of the clergy to elect Social Security coverage. CBO estimates that S. 86 would add to the total federal surplus by \$52 million over the 2000-2004 period; of that amount, \$19 million would represent an increase in the off-budget Social Security surplus and the remaining \$33 million an improvement in the on-budget surplus.

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provisions that relate to the Old-Age, Survivors, and Disability Insurance programs under title II of the Social Security Act, including tax provisions of the Internal Revenue Code. CBO has determined that the provisions of S. 86 either fall within that exclusion or contain no intergovernmental or private-sector mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 86 on direct spending and revenues is summarized in Table 1. The costs of this legislation fall within budget functions 570 (Medicare), 600 (Income Security), and 650 (Social Security).

Table 1. Estimated Direct Spending and Revenue Effects of S. 86, By Provision

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
By Provision										
Establishment of the Ticket to Work and Self-Sufficiency Program										
DI Beneficiaries										
Payments to Program Manager	1	2	1	2	3	3	3	4	4	5
Milestone Payments to Providers	0	a	1	6	14	22	26	29	34	39
Incentive Payments to Providers	0	a	a	3	15	33	59	81	107	134
Partial Repeal of Current										
VR System	0	a	a	-4	-13	-22	-33	-50	-70	-91
Benefits Avoided	0	a	a	-5	-25	-59	-104	-122	-138	-152
Extra Benefits Paid	<u>0</u>	<u>a</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>5</u>	<u>8</u>	<u>11</u>	<u>14</u>	<u>18</u>
Subtotal, DI	1	2	3	5	-3	-18	-42	-47	-48	-48
Medicare Savings ^b	0	0	a	a	1	1	1	-3	-11	-25
SSI Beneficiaries										
Payments to Program Manager	a	1	a	1	1	1	2	2	2	2
Milestone Payments to Providers	0	a	1	3	7	11	13	14	17	19
Incentive Payments to Providers	0	a	a	1	4	9	15	21	28	35
Partial Repeal of Current										
VR System	0	a	a	-2	-6	-11	-17	-25	-35	-45
Benefits Avoided	0	a	a	-1	-7	-16	-27	-32	-36	-40
Extra Benefits Paid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal, SSI	a	1	1	2	-1	-6	-14	-20	-24	-29
Medicaid Savings	c	c	c	c	c	c	c	c	c	c
Temporary Extension of Medicare with No HI Premium for Ticket Users Who Exhaust Their Current-Law EPE										
Medicare	0	0	0	0	a	a	1	0	0	0
Temporary Extension of DI Demonstration Project Authority										
Disability Insurance ^d	3	5	5	2	0	0	0	0	0	0
\$1-for-\$2 Demonstration Projects										
Contractor Costs (DI)	0	a	4	5	6	6	4	4	4	4
DI Benefit Costs	0	0	3	8	13	18	19	18	18	18
Medicare Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>4</u>	<u>7</u>	<u>9</u>	<u>9</u>	<u>9</u>
Subtotal (effect on outlays)	0	a	7	13	20	28	29	31	31	31
Provisions Affecting Prisoners										
Payments to Prison Officials (OASDI)	2	7	8	9	9	10	10	10	10	10
Payments to Prison Officials (SSI)	a	1	1	1	1	1	1	1	1	1
Savings in Benefits (OASDI)	-3	-15	-18	-20	-23	-25	-25	-25	-25	-25
Savings in Benefits (SSI)	<u>-2</u>	<u>-7</u>	<u>-8</u>	<u>-9</u>	<u>-11</u>	<u>-11</u>	<u>-11</u>	<u>-11</u>	<u>-11</u>	<u>-11</u>
Subtotal (effect on outlays)	-3	-15	-17	-20	-24	-25	-25	-25	-25	-25

Continued

Table 1. Continued

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Open Season for Clergy to Enroll in Social Security ^e										
Off-Budget (OASDI) Revenues	2	7	9	9	9	10	10	10	10	11
On-Budget (HI) Revenues	1	2	2	2	2	2	2	2	2	2
Other On-Budget Revenues	a	-1	-1	-1	-1	-1	-1	-1	-1	-1
OASDI Benefits	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Subtotal (effect on total surplus)	3	8	10	10	10	10	10	10	11	11
Total										
Outlays										
On-Budget	-1	-6	-6	-7	-8	-10	-16	-24	-36	-56
Off-Budget	<u>2</u>	<u>-1</u>	<u>5</u>	<u>9</u>	<u>2</u>	<u>-8</u>	<u>-33</u>	<u>-40</u>	<u>-40</u>	<u>-41</u>
Total	a	-6	-1	2	-6	-18	-49	-63	-77	-97
Revenues										
On-Budget	1	1	1	1	1	1	1	1	1	1
Off-Budget	<u>2</u>	<u>7</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>11</u>
Total	3	8	10	10	10	11	11	11	11	12
Deficit (-) or Surplus (+)										
On-Budget	2	7	7	8	9	11	16	25	37	57
Off-Budget	<u>a</u>	<u>8</u>	<u>4</u>	<u>a</u>	<u>7</u>	<u>18</u>	<u>43</u>	<u>50</u>	<u>51</u>	<u>51</u>
Total	2	15	11	8	16	29	60	74	88	108

Notes: Components may not sum to totals due to rounding.

OASDI=Old-Age, Survivors, and Disability Insurance, DI=Disability Insurance, SSI=Supplemental Security Income, VR=vocational rehabilitation, EPE=extended period of eligibility.

a. Less than \$500,000.

b. These amounts are the Medicare savings that would occur under current law. Elsewhere, the bill would extend Medicare for some of these beneficiaries.

c. CBO assumes that nearly all of the vocational rehabilitation recipients who leave the SSI rolls would continue to get Medicaid coverage through the 1619(b) program.

d. Based on conversations with staff, CBO's estimate assumes that the demonstration project authority would be extended through June 30, 2002.

e. Based on conversations with staff, CBO's estimate assumes that the provision would be effective for taxable years beginning after December 31, 1999.

BASIS OF ESTIMATE

For purposes of estimating the budgetary effects of S. 86, CBO assumes enactment by September 1999. Most provisions of S. 86 were incorporated into S. 331, the Work

Incentives Improvement Act of 1999, a bill reported by the Senate Committee on Finance in March. The major differences that affect CBO's estimate are:

- o Both bills would establish a ticket-to-work program designed to give recipients of DI and SSI a choice of vocational rehabilitation providers. Under S. 331, that program would expire in five years, whereas under S. 86 it would be permanent.
- o S. 86 proposes a more limited extension of Medicare for DI recipients who return to work than does S. 331.
- o S. 86 lacks several of the benefit expansions that are proposed in S. 331, notably several Medicaid and other health-care provisions, a ban on continuing disability reviews triggered by work, and a procedure easing reinstatement to the DI rolls for former beneficiaries.
- o S. 86 lacks the income tax-related provisions contained in title V of S. 331.

Because of the very close overlap between the remaining provisions of S. 86 and S. 331, readers seeking more detail about the basis of CBO's estimate are directed to its analysis of S. 331.¹

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

Table 2. Summary of Pay-As-You-Go Effects of S. 86

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	-1	-6	-6	-7	-8	-10	-16	-24	-36	-56
Changes in receipts	1	1	1	1	1	1	1	1	1	1

¹ CBO's analysis of S. 331 appears in Senate Report 106-37 (March 26, 1999) and is also available on CBO's Web site (www.cbo.gov).

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS AND THE PRIVATE SECTOR

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provisions that relate to the Old-Age, Survivors, and Disability Insurance programs under title II of the Social Security Act, including tax provisions of the Internal Revenue Code. CBO has determined that the provisions of S. 86 either fall within that exclusion or contain no intergovernmental or private-sector mandates.

ESTIMATE PREPARED BY:

Federal Cost: Kathy Ruffing (DI and SSI), Jeanne De Sa (Medicare), Noah Meyerson (Social Security receipts).

Impact on State, Local, and Tribal Governments: Leo Lex

Impact on the Private Sector: Ralph Smith

ESTIMATE APPROVED BY:

Paul N. Van de Water

Assistant Director for Budget Analysis